

Report to:	Cabinet	Date of Meeting:	Thursday 9 March 2023
Subject:	Financial Management 2022/23 to 2024/25 and Framework for Change 2020 - Revenue and Capital Budget Update 2022/23 - March Update		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Leader of the Council		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	No		

Summary:

To inform **Cabinet** of:

- 1) The current position relating to the 2022/23 revenue budget.
- 2) The current forecast on Council Tax and Business Rates collection for 2022/23.
- 3) The monitoring position of the Council's capital programme to the end of January 2023:
 - The forecast expenditure to year end.
 - Variations against the approved budgets and an explanation of those variations for consideration by Members.
 - Updates to spending profiles and proposed amendments to capital budgets necessary to ensure the efficient delivery of capital projects are also presented for approval.

Recommendation(s):

Cabinet is recommended to:

Revenue Budget

- 1) Note the current position relating to the 2022/23 revenue budget.
- 2) Note the actions being taken to offset the budget pressures being faced in 2022/23.
- 3) Recognise the financial risks associated with the delivery of the 2022/23 revenue budget and acknowledge that the forecast outturn position will continue to be reviewed, and remedial actions put in place, to ensure a balanced forecast outturn position and financial sustainability can be achieved.
- 4) Note the current position relating to the High Needs budget and that officers are currently reviewing all options available to the Council to mitigate the additional pressure and to make the overall High Needs budget financially sustainable.

Capital Programme

- 5) Note the spending profiles across financial years for the approved capital programme (paragraph 7.1).
- 6) Note the latest capital expenditure position as at 31 January 2023 of £26.898m (paragraph 7.3); the latest full year forecast is £43.493m (paragraph 7.4).
- 7) Note that capital resources will be managed by the Executive Director Corporate Resources and Customer Services to ensure the capital programme remains fully funded and that capital funding arrangements secure the maximum financial benefit to the Council (paragraphs 7.12-7.14).

Council Tax Support Fund

- 8) Note the intention to auto-award up to £25 to all Local Council Tax Support scheme claimants against their Council Tax Liability for 2023/24 in line with Government guidelines.
- 9) Approve the amendment of the "Council Tax Reduction in Liability" Policy for 2023/24 to make additional discretionary awards, as described in Paragraph 8.5, to utilise the Government funding allocated to the Council.

Business Rates – Implementation of Local Discount Schemes for Retail, Hospitality, Leisure in 2023/24

- 10) Approve the implementation of the Business Rates Local Discount Scheme for Retail, Hospitality and Leisure in 2023/24 in line with the guidelines issued by the Government.

Business Rates – Implementation of Supporting Small Business Relief Scheme from 2023/24

- 11) Approve the implementation of the Business Rates Supporting Small Business Relief Scheme for Retail, Hospitality and Leisure in 2023/24 in line with the guidelines issued by the Government.

Reasons for the Recommendation(s):

To ensure Cabinet are informed of the current position in relation to the 2022/23 revenue budget.

To provide an updated forecast of the outturn position with regard to the collection of Council Tax and Business Rates.

To keep members informed of the progress of the Capital Programme against the profiled budget for 2022/23 and agreed allocations for future years.

To progress any changes that are required in order to maintain a relevant and accurate budget profile necessary for effective monitoring of the Capital Programme.

To approve any updates to funding resources so that they can be applied to capital schemes in the delivery of the Council's overall capital strategy.

Alternative Options Considered and Rejected: (including any Risk Implications)

N/A

What will it cost and how will it be financed?

(A) Revenue Costs

The report indicates that for 2022/23 an overspend position of £2.239m is currently forecast and that further mitigating actions will be required to ensure the Council returns to a balanced forecast outturn position-if these actions are not available within the approved budget, existing reserves and balances maybe used.

(B) Capital Costs

The Council's capital budget in 2022/23 is £44.849m. As at the end of January 2023 expenditure of £26.898m has been incurred and a full year outturn of £43.493m is currently forecast.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):

Currently an overspend position of £2.239m is forecast for 2022/23. Therefore, further mitigating actions will be required to ensure the Council returns to a balanced forecast outturn position. However, it should be noted that significant pressure and risk remains, particularly relating to Children's Social Care and energy costs. If these budgets experience further demand and inflationary pressure during the remainder of the year further corresponding savings or financial contributions will need to be identified and approved by members.

Legal Implications:

None

Equality Implications:

There are no equality implications.

Climate Emergency Implications:

The recommendations within this report will

Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	N

The allocations of capital funding outlined in section 7 may be spent on projects that will have a high climate change impact as they could relate to new build, rebuild, refurbishment, retrofit and demolition proposals. Environmental consideration will be taken into account when specific projects are designed and tendered – which will help to mitigate negative impacts.

Contribution to the Council’s Core Purpose:

Effective Financial Management and the development and delivery of sustainable annual budgets support each theme of the Councils Core Purpose.

<u>Protect the most vulnerable:</u> See comment above
<u>Facilitate confident and resilient communities:</u> See comment above
<u>Commission, broker and provide core services:</u> See comment above
<u>Place – leadership and influencer:</u> See comment above
<u>Drivers of change and reform:</u> See comment above
<u>Facilitate sustainable economic prosperity:</u> See comment above
<u>Greater income for social investment:</u> See comment above
<u>Cleaner Greener:</u> See comment above

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources & Customer Services is the author of the report (FD 7166/23)

The Chief Legal and Democratic Officer has been consulted and has no comments on the report (LD 5366/23).

(B) External Consultations

N/A

Implementation Date for the Decision

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting

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Appendices:

The following appendix is attached to this report:

APPENDIX A – Capital Programme 2022/23 to 2024/25

Background Papers:

There are no background papers available for inspection.

1. **Introduction**

- 1.1 On 3 March 2022, Members approved the Budget for the financial year 2022/23. This budget was developed throughout the preceding nine months and took account of all known issues. Within that report, and as with previous years, the inherent financial risk within the budget, especially with respect to Children's Services, was identified. This was further reflected within the reserves' strategy for the Council.
- 1.2 A report to June's Cabinet and Council on 14 July, provided an update for Members of the financial position with the Council for events that had materialised since the budget was approved in March, including the increased cost of providing Children's Services and the increase in energy costs affecting the Council from global price increases. A remedial action plan was presented in the report and approved by Council.
- 1.3 The report to July's Cabinet outlined that those pressures continued across a number of service areas, that an overspend in the region of £2.2m was forecast. The report to September's Cabinet outlined that pressures had increased further, primarily as a result of the impact of the initial offer for the local government pay award and further pressure within Children's Social Care. A further remedial action plan was presented in the report and approved by Council. This took the total value of pressure that had been met in year to in excess of £20m.
- 1.4 This report includes the latest Council budget monitoring report as at January 2023 and thereby updates the revenue forecast outturn position for all services, including the pressures previously identified in the previous reports. The December position has informed next year's budget setting process in terms of financial issues that will continue into the next year and need to be addressed.
- 1.5 The report also outlines the current position regarding key income streams for the Authority, namely Council Tax and Business Rates. Variations against expected receipts in these two areas will also affect the Council's financial position in future years.
- 1.6 The capital section of the report informs Members of the latest estimate of capital expenditure for 2022/23 and forecast expenditure for 2023/24 and 2024/25. The capital budget to date is presented in paragraph 7.1. Paragraphs 7.3 to 7.11 review progress of the capital programme. Finally, paragraphs 7.12 to 7.14 confirm that there are adequate levels of resources available to finance the capital programme.

2. **Revenue Budget 2022/23 – Forecast Outturn Position as at the end of January 2023**

- 2.1 Members are provided with updates of the Council's forecast financial revenue position each month during the financial year from July.
- 2.2 The report to Cabinet in June 2022 highlighted the significant financial pressures being faced by the Council relating to Children's Social Care and energy costs that were unforeseen at the time of setting the budget. A remedial action plan was

approved to meet these estimated costs during 2022/23. These are included in the forecast outturn position below.

- 2.3 The report to Cabinet in July 2022 outlined that pressures had continued in several service areas and a net overspend of £2.197m was forecast. The report to September's Cabinet outlined that pressures had increased further, primarily as a result of the impact of the initial offer for the local government pay award and Children's Social Care. A forecast overspend of £7.743m was reported. A further remedial action plan was approved to meet these estimated costs during 2022/23. At this point the total value of these remedial plans is in excess of £20m for the year. However, it was acknowledged that pressures might increase further, particularly relating to assumptions around high-cost accommodation charges and the cost of agency staffing within Children's Social Care which required further financial modelling in order that a further accurate figure could be provided. It was also outlined that if these pressures materialised additional remedial actions would need to be implemented to ensure a balanced forecast outturn position, potentially including the adoption of financial principles used in previous years.
- 2.4 Since September's monitoring, there has been a worsening of the position relating to Adult Social Care and Children's Social Care but a reduction in forecast energy costs as well as savings across a number of other service areas. As at the end of January 2023, the forecast outturn shows a net overspend of **£2.239m**. As with all organisations at this time, the Council is operating in a very challenging financial environment. However, it is vital that the Council achieves a balanced forecast outturn position to ensure its financial sustainability. Proposed actions to meet this forecast overspend are outlined in paragraphs 2.8 to 2.11.
- 2.5 The table below highlights the variations across services that make up the £2.239m forecast overspend:

	Budget	Forecast Outturn	Variance	Variance to December
	£m	£m	£m	
Services				
Strategic Management	4.038	4.049	0.011	0.006
Adult Social Care	102.929	103.967	1.038	-0.362
Children's Social Care	52.876	71.604	18.728	0.828
Communities	18.611	17.463	-1.148	-0.182
Corporate Resources	5.673	4.940	-0.733	-0.106
Economic Growth & Housing	6.811	6.751	-0.060	0.100
Education Excellence	11.643	13.311	1.668	0.065
Health & Wellbeing	19.374	18.111	-1.263	-0.540
Highways & Public Protection	11.508	11.134	-0.374	0.018
Operational In-House Services	17.008	17.566	0.558	-0.021
Energy Costs	0.000	2.100	2.100	0.000
Additional Pay Award Provision	0.000	4.100	4.100	0.000

Total Service Net Expenditure	250.471	275.096	24.625	-0.194
Council Wide Budgets	-5.604	-8.488	-1.641	-0.489
Levies	35.222	35.222	0.000	0.000
General Government Grants	(72.356)	(72.901)	-0.545	-0.545
Remedial Action Plan - June	0.000	-12.500	-12.500	0.000
Remedial Action Plan – September	0.000	-7.700	-7.700	0.000
Total Net Expenditure	207.733	209.972		
<u>Forecast Year-End Deficit</u>			<u>2.239</u>	<u>-1.228</u>

2.6 The key areas relating to the outturn position are as follows:

- **Adult Social Care** – Previous forecasts have assumed that the Adult Social Care budget will break-even during 2022/23. However, it was reported in December that there are some significant financial pressures arising due to increases in numbers of clients in nursing and residential as well as overspends in Supported Living and Day Care. Additional pressures including agency and consultancy costs are also being seen. It is currently forecast that there will be a net overspend of £1.038m, a reduction of £0.362m, mainly due to increases in forecast income. Further work is continuing to be undertaken to refine the forecasts, including around client numbers and associated income levels, as well as the achievement of savings from the Demand Management programme.
- **Children’s Social Care** – The current forecast for the service shows a potential overspend of £18.728m, an increase in the figure reported to Cabinet in February of £0.828m.

This increase since last month has been mainly driven by an increase in the forecast cost of independent residential provision of £0.713m – this is mainly as a result of a net increase of four new placements with some new placements being at a higher cost.

The service continues to see rising demand and further investigatory work is ongoing with partner agencies with the aim of addressing this. Overall, the overspend is made up of the following key areas:-

- Due to a significant number of vacancies within the service, especially with regard to Social Workers, the expenditure on agency staff has been £6.5m over the staffing budget. Within this £3.5m relates to managed teams as well as the costs of employing additional social workers to manage the additional casework brought about by the rising demand for services.
- At the start of the financial year as inflation took hold in the UK, unbudgeted for inflation on accommodation costs has resulted in an overspend of £1.2m; and,

- Since the July report a number of additional complex and high-cost placements have had to be entered into which have led to an overspend on this budget of £8.3m. Since the budget was set in March there has been an increase in Independent Residential Placements from 69 to 79. In addition, there are now more cases requiring high-cost accommodation and support than previously, and the costs of these have also risen significantly. Some new cases are now initially costing substantial amounts per week.

Members will be familiar from previous reports that the service are working through options to address each of these issues. The introduction of the social worker academy with an annual cohort of 30 staff and the proposal to bring to the Council 25 international social workers will reduce the reliance on expensive agency workers and proposals around supporting children and development of in-house accommodation will support future budget planning and control in respect of accommodation costs. In addition, a fundamental review of the service's budget is being undertaken and from this a remedial plan is anticipated to be completed next month.

- **Education Excellence** – The current forecast shows a potential net overspend of £1.668m, with an overspend of £1.833m relating to Home to School Transport forecast. There has been an increase in the number of children being transported, especially relating to out of borough placements. In addition, there has been an increase in the cost of providing the transport, particularly from September.
- **Operational In-House Services** The current forecast shows a potential overspend of £0.558m. This relates to a number of areas across the Service, including forecast shortfalls in income on Burials and Cremations, Catering, Green Sefton activities (mainly golf courses) and vehicle maintenance.
- **Energy Costs** – As reported in June, the global increase in energy prices is having a significant impact on the Council's energy and fuel costs. As reported in previous months, the Council has received updated information from the Council's framework providers on the fees being paid, as well as the potential benefit from the energy price cap for organisations. It is estimated that the net impact will be £2.100m. This will continue to be closely monitored as more information becomes available, including impact of the energy price cap. It should be noted that energy is a national issue affecting all local authorities. However, the Government have advised that no additional funding will be made available for local government, despite representations made both nationally and locally.
- **Additional Pay Award Provision** – The approved Base Budget included a provision for the 202/23 pay award of 3%. This was line with most other local authorities who had budgeted for between 2.5% and 3% (and when the Spending Review 2021 was published, the Office for Budget Responsibility was forecasting inflation to be 4% in 2022). On 1 November 2022, trade unions accepted the offer from the National Employers for local government services body of a fixed increase of £1,925 (plus an additional day's annual leave from April 2023). For Sefton, this equates to an increase in the pay bill of about 6.5% or an additional £4.100m above the amount included in the 2022/23 budget. As previously mentioned for energy costs, this is a national issue for local government however Government have made it clear that no additional funding will be made available.

From the above it can be seen that additional pressures of about £24.6m are being experienced and this mainly reflects the pressure in Children's Social Care and that experienced from energy costs and the additional pay award. Although many of the causes of pressures on children services are being seen nationally, there are many which are Sefton specific e.g., increases in numbers of Looked After Children and increases in accommodation and agency costs), however the energy and pay award pressures of £6.2m are impacting on all local authorities. These costs were not reflected in the funding provided as part of the Local Government Finance Settlement for 2022/2023 and the Government has made it clear that no additional funding will be made available, meaning the Council needs to make remedial plans to meet these pressures.

It can be seen from the Cabinet reports presented each month that the forecast overspend position on Children's Social Care has increased each month. The information provided in this report is based on the latest information provided by the service, however in light of the month on month increase this year there is a significant risk that this position will worsen further in the remaining three months of the year. Work has been done within the service to ensure that the decision-making controls are robust and effective to support financial control around agency expenditure and accommodation costs and it is essential that these are maintained and continually reviewed due to the unprecedented position that the service and the council is in. Work is being undertaken by the service to determine if further financial pressure is anticipated and this will be reflected in the next monitoring exercise that takes place.

Proposed Remedial Actions

- 2.7 As reported in the last three months, given there is still a forecast deficit it is proposed to undertake a number of remedial actions, including the adoption of financial principles used in previous years, to enable a balanced forecast outturn position to ensure its financial sustainability. The implemented actions are:

Recruitment Freeze

- 2.8 The Council has introduced a recruitment freeze until the end of the financial year. This will apply to all services across the Council with the exception of Adult Social Care, Children's Social Care, Cleansing, Early Help and Special Educational Needs and Disability. Savings from non-recruitment of current vacant posts are now built into the forecast outturn position. Savings from the non-recruitment to posts as they become vacant across the remainder of the year will be built into future forecasts.

No Further Overspend in any Service

- 2.9 All services must manage their budgets to ensure that their forecast outturn position does not worsen from that currently reported.

No Further Growth Items or Additionality

- 2.10 All services to pause any requests for growth or additionality, even if it could be funded from current forecast underspends or further underspends compared to the current forecast position. This will ensure that any further underspends can be used to contribute to mitigating the Council's overall financial position. This doesn't

apply to expenditure that can be fully met from external funding received by the Council.

Non-Essential Expenditure

2.11 A full review is currently being undertaken of all budgets across the Council to identify any areas of non-essential spend that could be stopped. This includes reviewing progress on spending in all areas to identify options for where additional expenditure commitments could be paused. This will identify further underspends that can be used to contribute to mitigating the Council's overall financial position. These options / areas of non-essential expenditure identified to date include:

- Agile / Hybrid Working – the Council set aside resources to fund changes to office accommodation for the move towards Agile / Hybrid working. As the works are nearly complete it is anticipated that some of these resources can be credited back to the revenue budget – current estimate is that £0.300m can be released.
- New Burdens funding – the Council has received new burdens funding relating to activity it has been asked to undertake on the Government's behalf. Whilst some has been required to fund additional costs incurred, some is effectively to fund activity undertaken by existing staff. Therefore, £0.100m is available to offset the existing forecast outturn position.
- Energy Reductions – given the additional pressures relating to energy costs the Council is reviewing various measures to reduce its energy consumption.

Summary 2022/23

2.12 After the implementation of the previously agreed remedial actions, an overspend of **£2.239m** is currently forecast. The proposed actions in paragraphs 2.8 to 2.11 will continue to be fully evaluated and at this stage their financial impact is anticipated to meet a proportion of the current forecast overspend, with a balance estimated at up to £1.8m remaining to be funded. However, this represents the current position that has been forecast to the year end- in the event that further pressure is experienced, particularly in respect of Children's Social Care, further remedial action or off-setting measures will be required. As a result of using the options previously approved in June and September, there is no flexibility left for the use of general balances in year- as a result this and any further pressure, will need to be met from within the existing Council budget and delivery monitored carefully and reported to Cabinet.

2.13 Should there still be a residual overspend at year end, this will need to be funded by earmarked reserves or general balances and as part of the budget process for 2023/24 the Council will need increase these back to the previous level taking into account the risks faced by the Council and the assessment of their adequacy as described in the S151 Officer's Robustness report. As stated, further work will be carried out on the remedial plan and a detailed position will be reported in the next cycle.

3. Medium Term Financial Planning

3.1 The report to Cabinet in June / Council in July highlighted that the pressures in Children's Social Care, as well as increased Energy costs, would have a significant

ongoing impact on the Council's budget in 2023/24 and 2024/25. Whilst some of this pressure was considered to be temporary, much would be permanent.

- 3.2 The report also highlighted that there would be additional pressures from 2023/24 as a result of potential increases in the National Living Wage and the impact that this would have on both the Council pay structure as well as external providers, particularly in Adult Social Care. In addition, the current high levels of inflation would lead to significant pressure on many areas of the Council.
- 3.3 The ongoing impact of the current 2022/2023 pay award offer will now also need to be met in 2023/24 given it has been funded from one-off resources in 2022/23. In addition, the Council will need to assess the ongoing impact of the additional pressures reported this month in Children's Social Care as well as other service areas.
- 3.4 Based on all of these issues, the Council's Revenue Budget was presented for approval by Budget Council on 2 March 2023, which included an updated Medium-Term Financial Plan (MTFP) for 2024/25 and 2025/26. Budget proposals have been developed for implementation from April 2023 in order that the Council maintains financial sustainability.

4. **Council Tax Income – Update**

- 4.1 Council Tax income is shared between the billing authority (Sefton Council) and the three major precepting authorities (the Fire and Rescue Authority, the Police and Crime Commissioner and the Combined Authority – Mayoral Precept) pro-rata to their demand on the Collection Fund. The Council's Budget included a Council Tax Requirement of £150.008m for 2022/23 (including Parish Precepts), which represents 84% of the net Council Tax income of £178.590m.
- 4.2 The forecast outturn for the Council at the end of January 2023 is a surplus of -£3.189m. This variation is primarily due to: -
 - The surplus on the fund at the end of 2021/22 being higher than estimated (-£0.517m).
 - Gross Council Tax Charges in 2022/23 being higher than estimated (-£0.381m).
 - Exemptions and Discounts (including a forecasting adjustment) being lower than estimated (-£1.620m).
 - A reduction in the amount set aside for Bad Debts (-£0.671m)
- 4.3 Due to Collection Fund regulations, the Council Tax surplus will not be transferred to the General Fund in 2022/23 but will be carried forward to be recovered in future years.
- 4.4 A forecast surplus of £2.045m was declared on the 17 January 2023 of which Sefton's share is £1.716m (83.9%). This is the amount that will be recovered from

the Collection Fund in 2023/24. Any additional surplus or deficit will be distributed in 2024/25 and future years.

5. **Business Rates Income – Update**

- 5.1 Since 1 April 2017, Business Rates income has been shared between the Council (99%) and the Fire and Rescue Authority (1%). The Council's Budget included retained Business Rates income of £56.664m for 2022/23, which represents 99% of the net Business Rates income of £57.236m. Business Rates income has historically been very volatile making it difficult to forecast accurately.
- 5.2 The forecast outturn for the Council at the end of January 2023 is a surplus of -£12.866m on Business Rates income. This is due to:
- The deficit on the fund at the end of 2022/23 being lower than estimated (-£0.091m).
 - Increase in the gross charge on rateable properties (-£0.600m).
 - A number of reliefs announced for 2022/23 were assumed in the NNDR1 return with the loss of income as a result of these reliefs covered by Section 31 grant payments. It is now forecast that the value of these reliefs will be less than anticipated (-£5.100m).
 - Adjustments relating to prior years (+£0.736m)
 - Adjustments to the Appeals Provision relating to the current and prior years (-£3.958m).
 - Adjustments to the Bad Debt Provision relating to the current and prior years (-£3.853m).
- 5.3 When taking into account the lower Section 31 grants due on the additional reliefs, a net surplus of £9.173m is forecast.
- 5.4 Due to Collection Fund regulations, a Business Rates deficit will not be transferred to the General Fund in 2022/23 but will be carried forward to be recovered in future years.
- 5.5 A forecast surplus of £12.836m was declared in January 2023. Sefton's share of this is £12.708m. This is the amount that will be distributed from the Collection Fund in 2023/24. Any additional surplus or deficit will be distributed in 2024/25 and future years.

6. **High Needs Budget**

- 6.1 Cabinet and Council have agreed to receive quarterly reports from the Executive Director of Children's Social Care and Education and the Assistant Director of Children's Services (Education) with regard to the High Needs budget and the changes that are proposed, details of sufficiency planning, the Council's engagement on the Delivering Better Value Programme and the current high needs deficit and the risk around future central government decision making in respect of this deficit.

- 6.2 In light of these factors, the SEND green paper, the commencement of the Delivering Better Value Programme and the potential changes to accounting treatment of these high needs deficits that exist in a substantial number of councils in England, it was proposed that a monthly financial forecast be presented to Cabinet that reflects financial performance against budget and remedial planning - this would be considered alongside the wider quarterly performance report that will be presented to Cabinet and Council.
- 6.3 The High Needs Quarterly Update report presented to Cabinet in July outlined that the overspend on the High Needs budget in 2021/2022 was £4.2m resulting in an accumulated deficit of £12.5m at the end of 2021/22. The report also highlighted that a deficit for 2022/23 was forecast to be between £2.3m - £4.0m.
- 6.4 Given continued increases in the number of children requesting Education Health and Care Plans (EHCP's) and SEND placements in December 2022, the current forecast overspend will be at least £5.6m, despite the creation of additional in-house places at Sefton schools from September. Between April and December, there was an increase of 52 children placed at Sefton specialist schools / SEND resource units and 319 additional EHCPs (total now 2,584 with 325 in progress). The number of requests for EHCP assessments in 2022 was 726, compared to 602 in 2021 and 412 in 2020.
- 6.5 The approved pay awards for 2022/23 were also significantly higher than used for the new SEND Funding Model that the Council supported in 2022/23. Initial calculations show that the new pay awards have added at least an additional £0.900m cost pressure across specialist SEND placements and although no additional funding has been allocated to schools in the 2022/23 funding formula to reflect this increase it is something that has been raised by schools as a significant costs pressure facing providers going forward. As part of the Chancellor's Autumn Statement announcement in November 2022 Sefton will receive an increase to its High Needs DSG for 2023/24 of £1.8m through a new Supplementary Grant allocation, this funding is to be used to support the higher cost prices and pay awards providers that have arisen during 2022/23 that were not anticipated in the Government's original DSG settlement.
- 6.6 The approved NJC pay award for 2022/23 has also increased cost pressures on non-specialist 1:1 provision in all primary and secondary schools in Sefton. Any additional pay uplift costs should be met from the increase to the High Needs budget from the above Supplementary Grant funding in 2023/24 as schools are only required to make a fixed contribution per qualifying pupil.
- 6.7 The accumulative deficit position on the High Needs budget is estimated to be in the region of £18.1m based on the current SEND numbers but these continue to increase.
- 6.8 In light of the current position officers are reviewing all options available to the Council to mitigate this additional pressure during the current year and to reduce the impact on the High Needs deficit. This will include accelerating the proposals reported to members in the July Cabinet paper and determining new proposals to improve sufficiency. In addition, discussions as part of the Council's participation in the Delivering Better Value Programme will be assessed as to their impact on the

forecast deficit position. An update will be provided to Cabinet as a separate report in April 2023.

- 6.9 In August the Council responded to central government's call for evidence on how High Needs deficits should be considered going forward, especially in respect of the potential for the ringfence of this deficit to the Dedicated Schools Grant (DSG) to come to an end from April 2023. The Government has now announced that the statutory override will continue for another three years to March 2026.
- 6.10 Due to the substantial increase in the High Needs deficit over the last two financial years, the level of the deficit is now a real risk to the financial sustainability of the Council. As stated, the government has announced that the statutory override will continue for a further three years and whilst the participation in the Deliver Better Value Programme will allow the Council to access additional expertise and source best practice in relation to High Needs budget management, similar increases in future years are not sustainable. As previously reported, central government has always stated that these deficits should not be met from a council's General Fund and the extension of the statutory override continues that principle however the risk remains, and indeed is increasing, in that a solution to meeting this deficit is required. There is no indication that central government will fund these deficits and the Council's general balances are not sufficient to meet this either. The Council has always supported the statutory override alongside the demand for sufficient government funding for the high needs block of the DSG that is based on data and demand. This continues to be the case, but in the event that central government decide in 2026 that this is wider than a DSG issue this would present a substantial risk to financial sustainability within the Council.
- 6.11 This issue has also been highlighted in the budget report for 2023/24 considered by Budget Council on 2 March 2023. A further detailed report will be presented to Cabinet in April 2023.

7. Capital Programme 2022/23 – 2024/25

Capital Budget

- 7.1 The Capital Budget and profile of expenditure for the three years 2022/23 to 2024/25 is as follows:

2022/23	£44.849m
2023/24	£51.362m
2024/25	£48.816m

- 7.2 The updates listed below have been made to the Capital Programme budget since the previous budget reported to Cabinet in February:

- **Adult Social Care:**

- ICT Development & Transformation - £0.077m has been phased to 2023/24 for future development of the Liquid Logic system.
- Technology Enabled Care - £0.200m has been phased to 2023/24 due to the planned expansion of the TEC equipment offer to Sefton residents being

delayed as part of the ELMS system development in 2023/24 and a review of service requirements.

- £0.077m has been added to the programme under delegated authority for a new project for Community Based Falls Prevention fully funded by grant from NHS England.
- **Communities:**
 - £0.080m has been phased to 2023/24 for installation of new shelving at Crosby Library that will now take place in May.
- **Economic Growth & Housing:**
 - £2.014m has been phased to 2023/24 for the Marine Lake Events Centre due to an extension to the stage 3 design period of the project to allow further detailed design work to be carried out, and to complete further work on the planning submission and environmental conditions. The overall completion date and total cost of the project remains unchanged.
 - £0.116m for the final phase of the Southport Pier Project has been moved to 2023/24. This project is now on hold pending completion of the pier decking replacement project.
- **Operational In-House Services –**
 - £0.020m has been added to the programme under delegated authority for a new project to implement flood resilience measures in Maghull fully funded by grant from the Environment Agency.

Budget Monitoring Position to January 2023

7.3 The current position of expenditure against the budget profile to the end of January 2023 is shown in the table below. It should be noted that budgets are profiled dependent upon the timing of when works are to be carried out and the anticipated spend over the financial year. The budget to date in the table below reflects the profiles of each individual scheme.

Service Area	Budget to Jan-23	Actual Expenditure to Jan-23	Variance to Jan-23
	£m	£m	£m
Adult Social Care	2.998	2.727	-0.271
Children’s Social Care	0.202	0.195	-0.007
Communities	0.633	0.696	0.063
Corporate Resources	4.581	4.720	0.139
Economic Growth & Housing	5.760	6.034	0.274
Education Excellence	2.819	2.902	0.083
Highways & Public Protection	8.690	8.708	0.018
Operational In-House Services	0.932	0.917	-0.015
Total Programme	26.615	26.898	0.283

Capital Programme Forecast Outturn 2022/23

7.4 The current forecast of expenditure against the budget profile to the end of 2022/23 and the profile of budgets for future years is shown in the table below:

Service Area	Full Year Budget 2022/23	Forecast Out-turn	Variance to Budget	Full Year Budget 2023/24	Full Year Budget 2024/25
	£m	£m	£m	£m	£m
Adult Social Care	4.647	4.416	-0.232	4.428	1.610
Children's Social Care	0.450	0.472	0.022	0.100	-
Communities	1.159	1.165	0.006	0.548	-
Corporate Resources	7.440	6.897	-0.543	1.548	-
Economic Growth & Housing	8.301	8.427	0.126	24.547	38.429
Education Excellence	3.962	3.784	-0.178	8.322	3.789
Highways & Public Protection	16.989	16.432	-0.557	6.241	3.663
Operational In-House Services	1.900	1.900	-	5.628	1.325
Total Programme	44.849	43.493	-1.356	51.362	48.816

A full list of the capital programme by capital scheme is at **appendix A**.

7.5 The current total programme budgeted spend for 2022/23 is £44.849m with a budgeted spend to January of £26.615m. The full year budget includes exceptional items such as £6.299m for Green Homes and Sustainable Warmth schemes, £7.458m for Growth and Strategic Investment projects, previously approved amounts for essential repairs and maintenance (£1.164m) and a significant scheme to upgrade to LED Street Lighting (£3.887m).

7.6 The current perception is that the above projects could be fully delivered in 2022/23 and budget managers have confirmed the current forecast out-turn position shown above. In a typical year however, the capital programme spends in the region of £25m. Given this typical annual level of spend it is likely that reprofiling of spend into 2023/24 will occur as the year progresses.

7.7 Significant variances have been forecast against the Corporate Resources and Highways & Public Protection budgets. Further narrative on these forecast underspends is provided below.

Corporate Resources

7.8 A shortfall in expenditure against the profiled spend for Sustainable Warmth projects has been forecast. The underspend is entirely related to Home Upgrade Grants (HUG) that can only be spent on properties that are without gas central heating, have low income and a low EPC rating.

7.9 There is a £6.651m programme to deliver Sustainable Warmth Schemes over 2021/22 and 2022/23 and of this £5.651m relates to the Green Homes Grant Local Authority Delivery (LAD). 100% of LAD funding will be spent by year end and will result in 332 properties being supported.

7.10 £1m relates to HUG and the target is to support 72 properties and to date 21 are complete with 19 works in progress. There are 32 homes to complete with a value of £0.5m and extensive targeting is still being undertaken to identify suitable homes as the eligibility means that expenditure can only be incurred on those with no central heating and low income and low EPC rating. The Combined Authority has been granted an extension to the HUG programme to September 2023 and pending an acceptance of a change request to be submitted to the Department for Energy Security & Net Zero in March 2023, the funding will be rolled forward into next financial year to enable more local properties to receive funding.

Highways & Public Protection

7.11 Due to a refusal of planning permission, schemes to deliver improvements on the Transpennine Trail, the development of a cycle path and access improvements across Crosby Coastal Park, and complementary environmental improvements will no longer proceed as planned in 2022/23.

Programme Funding

7.12 The table below shows how the capital programme will be funding in 2022/23:

Source	£m
Grants	34.912
Prudential Borrowing	5.703
Capital Receipts	1.655
Contributions (incl. Section 106)	2.580
Total Programme Funding	44.849

7.13 The programme is reviewed on an ongoing basis to confirm the capital resources required to finance capital expenditure are in place, the future years programme is fully funded, and the level of prudential borrowing remains affordable.

7.14 The Executive Director of Corporate Resources and Customer Services will continue to manage the financing of the programme to ensure the final capital funding arrangements secure the maximum financial benefit to the Council.

8. Council Tax Support Fund

8.1 Alongside the provisional Local Government Finance Settlement announced on 19 December 2022, the Government announced £100m of additional funding for local authorities to support the most vulnerable households in England.

8.2 In the guidance issued by the Government, it expects local authorities to use the majority of their funding allocations to reduce bills for current working age and pension age Local Council Tax Support (LCTS) claimants by up to £25. Councils can use their remaining allocation as they see fit to support vulnerable households with council tax bills.

8.3 Sefton's provisional allocation for 2023/24 is £648,881.

- 8.4 In line with the Government guidance, the Council will auto-award £25 to all LCTS claimants to reduce their 2023/24 Council Tax Demand (or up to a claimants Council Tax liability if less). It is estimated that there are approximately 18,000 claimants who would receive support, which would cost up to £450,000.
- 8.5 For any remaining funding it is proposed that the Council amends its existing discretionary “Council Tax Reduction in Liability” Policy for 2023/24 to include the following:
- To allocate £25 to any new claimants who become eligible for LCTS during 2023/24.
 - To make additional awards above the initial £25 for those vulnerable households who require additional support to meet their Council Tax liability for 2023/24.

9. **Business Rates – Implementation of Local Discount Schemes for Retail, Hospitality, Leisure in 2023/24**

- 9.1 In the Autumn Statement on 17 November 2023, the Chancellor announced the introduction of a new business rates relief scheme for retail, hospitality, and leisure properties worth around £2.1 billion in 2023/24. The 2023/24 Retail, Hospitality and Leisure Business Rates Relief scheme will provide eligible, occupied, retail, hospitality, and leisure properties with a 75% relief, up to a cash cap limit of £110,000 per business.
- 9.2 It is currently estimated that in the region of 1,150 Sefton business rate payers will qualify for relief under the scheme, which will be applied automatically to each eligible ratepayer’s bill without the need for an application. Total relief is estimated to amount to £7.8m in 2023/24 although this will depend on the impact of the impact of the 2023 revaluation of properties. Local authorities will be fully compensated for the loss of business rates income associated with granting the relief and the Government will also meet the associated administrative cost of implementing the scheme.
- 9.3 The latest detailed guidance on the Retail, Hospitality and Leisure Relief scheme was published on 21 December 2022. Cabinet is asked to approve the scheme, to be administered in line with the guidelines set by the Government.

10. **Business Rates – Implementation of Supporting Small Business Relief Scheme from 2023/24**

- 10.1 In the Autumn Statement on 17 November 2023 the Chancellor announced that the 2023 Supporting Small Business (SSB) scheme will cap bill increases at £600 per year for any business losing eligibility for some or all Small Business Rate Relief or Rural Rate Relief at the 2023 revaluation. SSB was first introduced at the 2017 revaluation to support ratepayers facing bill increases greater than the Transitional Relief caps due to loss of Small Business Rate Relief or Rural Rate Relief.
- 10.2 It is currently estimated that in the region of 116 Sefton business rate payers will qualify for relief under the Supporting Small Business Relief scheme. Total relief is

estimated to amount to £0.250m in 2023/24. Local authorities will be fully compensated for the loss of business rates income associated with granting the Supporting Small Business Relief and the Government will also meet the associated administrative cost of implementing the scheme.

10.3 The detailed guidance on the Supporting Small Business Relief Scheme was published on 21 December 2022. Cabinet is asked to approve the scheme, to be administered in line with the guidelines set by the Government.

APPENDIX A – Capital Programme 2022/22 to 2024/25

Capital Project	Budget		
	2022/23 £	2023/24 £	2024/25 £
Adult Social Care			
Digitising Social Care	50,000	405,000	-
Community Based Falls Equipment	77,000	-	-
Core DFG Programme	2,000,000	-	-
Occupational Therapy Support for DFGs	603,774	-	-
ICT Development & Transformation	458,529	470,027	-
Care Home Improvements	437,559	550,000	-
Changing Places	92,507	-	-
Retail Model within Health and Wellbeing Hubs	-	450,000	-
Extra Care Housing	-	750,000	750,000
Short Term Assessment Unit	-	860,000	860,000
New Directions Programme	10,962	379,038	-
Technology Enabled Care	70,806	363,750	-
Sefton Carers Centre	30,000	-	-
Community Equipment Provision	300,000	-	-
Double to Single Handed Care Equipment	150,000	-	-
Community Equipment Stores	250,000	100,000	-
Programme Support	116,625	100,000	-
Children's Social Care			
Support for Fostering Placements	100,000	100,000	-
Community Equipment – Children's	250,000	-	-
Springbrook Refurbishment	100,000	-	-
Communities			
Dunes Splashworld – Essential Repairs	546,226	43,781	-
Dunes Splashworld – Health and Safety Works	270,000	-	-
Bootle Leisure Centre – Lift Replacement	38,000	-	-
Bootle Leisure Centre – Roof Replacement	-	209,000	-
Netherton Activity Centre – New Fencing	103,000	-	-
Libraries - Centres of Excellence	10,000	268,019	-
Section 106 Funded Projects	191,957	26,861	-
Corporate Resources			
Council Wide Essential Maintenance	580,344	1,547,897	-
STCC Essential Maintenance	32,219	-	-
Victoria Baths Essential Works	4,885	-	-
Bootle & Southport Town Hall Retrofit Energy Saving	29,950	-	-
Green Homes Grant Sustainable Warmth Schemes	6,299,479	-	-
ICT Transformation	493,281	-	-
Economic Growth & Housing			
Strategic Acquisitions - Bootle	17,620	-	-
Cambridge Road Centre Development	53,930	-	-
Crosby Lakeside Development	1,715,913	-	-
Town Centre Commission Bootle Canal Side	240,263	-	-

	2022/23 £	2023/24 £	2024/25 £
Bootle Canal Side Business Plan	556,862	-	-
Southport Market Redevelopment	47,335	-	-
Strategic Acquisitions - Ainsdale	90,600	836,423	-
Marine Lake Events Centre	4,355,388	15,415,542	37,792,340
Enterprise Arcade	187,500	1,245,000	61,500
Transformations De Southport	153,000	1,847,000	500,000
Strand Business Plan	40,000	375,000	75,000
Strand Repurposing Project	-	680,000	-
Housing Investment	33,960	-	-
Brownfield Fund for Housing Development	537,790	1,032,281	-
Social Housing Allocations Scheme	65,000	-	-
Southport Pier	206,053	3,115,769	-
Education Excellence			
Schools Programme	3,120,581	5,584,202	3,789,135
Planned Maintenance	429,902	50,000	-
Special Educational Needs & Disabilities	411,607	2,688,090	-
Highways and Public Protection			
Accessibility	989,402	-	-
Healthy Lifestyles	790,000	-	-
Road Safety	120,000	-	-
A565 Route Management Strategy	1,571,027	778,014	-
A59 Route Management Strategy	250,000	589,000	-
Strategic Planning	1,510,634	-	-
Traffic Management & Parking	55,000	-	-
Highway Maintenance	5,600,454	-	-
Bridges & Structures	517,921	-	-
Drainage	337,340	-	-
Street Lighting Maintenance	327,400	-	-
LED Street Lighting Upgrade	3,886,920	3,605,580	3,662,630
Urban Traffic Control	902,830	-	-
Transport Growth Schemes	-	1,268,620	-
Completing Schemes / Retentions	130,000	-	-
Operational In-House Services			
Burials & Cremation Service – Vehicles & Equipment	47,713	-	-
Coastal Erosion and Flood Risk Management	744,453	2,416,721	1,306,000
Parks Schemes	193,149	160,919	-
Tree Planting Programme	134,505	19,769	19,769
Golf Driving Range Developments	9,988	280,280	-
Ainsdale Coastal Gateway	27,712	840,000	-
Crosby Marine Lake Improvements – Phase 1	30,339	-	-
Green Sefton – Plant & Machinery	-	131,152	-
Vehicle Replacement Programme	366,835	1,779,494	-
Wheeled Bins	345,000	-	-
TOTAL PROGRAMME	44,849,029	51,362,229	48,816,374